

AMENDED IN SENATE JULY 22, 2003

AMENDED IN SENATE JUNE 23, 2003

AMENDED IN ASSEMBLY JUNE 2, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 265

**Introduced by Assembly Members Mullin and Negrete McLeod
(Coauthors: Assembly Members Goldberg and Ridley-Thomas)**

February 4, 2003

An act to amend and repeal Section 22954 of, to add Section 22955.1 to, and to repeal and add Section 22954.1 of, the Education Code, relating to state teachers' retirement, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 265, as amended, Mullin. State teachers' retirement: appropriations.

(1) Under the existing Teachers' Retirement Law, a continuous appropriation equal to 2.5% of creditable compensation, as specified, is made annually from the General Fund for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund to fund purchase power protection payments to retired members of the Defined Benefit Program of the State Teachers' Retirement System. Existing law decreases that appropriation by \$500,000,000 for the 2003–04 fiscal year.

This bill would ~~eliminate that appropriation for the 2003–04 fiscal year~~ *establish the amount of that appropriation each year based on specified percentages of total creditable compensation* and would also

provide that a ~~specified~~ *certain* percentage, as adjusted by the Teachers' Retirement Board, of that creditable compensation shall be credited to the Supplemental Benefit Maintenance Account each year for 6 years commencing July 1, 2004. The bill would make related legislative findings.

(2) Existing law requires the Teachers' Retirement Board, beginning in 2006 and every 4 years thereafter, to report to the Legislature and the Department of Finance regarding the ability of the retirement system to pay purchase power protection payments in each fiscal year until 2036 and appropriates funds, as determined by the actuary and certified by the Director of Finance, as necessary to enable the Teachers' Retirement System to make those payments, as specified, until June 30, 2036.

This bill would delete that requirement.

(3) Under the Teachers' Retirement Law, on and after July 1, 2003, a continuous appropriation equal to 2.541 of creditable compensation, as specified, is to be made annually from the General Fund to the Teachers' Retirement Fund.

This bill would make an additional continuous appropriation from the General Fund to the Teachers' Retirement Fund on July 1, 2004, and each July 1, thereafter to July 1, 2009, inclusive, in an amount equal to a percentage of creditable compensation for a ~~specified~~ *certain* period, as specified. The bill would also make an additional appropriation from the General Fund to the Teachers' Retirement Fund on July 1, 2010, based on the average annual rate of return on investment of funds in the Teachers' Retirement Fund, according to a specified schedule.

(4) The bill would include a statement of legislative intent regarding purchasing power protection for retired educators.

(5) The bill would declare that it is to take effect immediately as an urgency statute.

Vote: ²/₃. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. It is the intent of the Legislature to restore over
- 2 time the funding provided under current law, in order to provide
- 3 purchasing power protection for retired pensioners in CalSTRS, so
- 4 that the 63,000 retired educators, who are mostly women with an

average age of 82 years, can receive the level of purchasing power protection provided for by law.

SEC. 2. Section 22954 of the Education Code, as amended by Section 2 of Chapter 6 of the Statutes of 2003, First Extraordinary Session, is amended to read:

22954. (a) Notwithstanding Section 13340 of the Government Code, commencing July 1, 2003, and on each July 1 thereafter, a continuous appropriation is hereby annually made from the General Fund to the Controller, pursuant to this section, for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund. The total amount of the appropriation for each year shall be equal to the percentage of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based for purposes of funding the supplemental payments authorized by Section 24415 in accordance with the following schedule:

Date of Payment	Percentage
On July 1, 2003	—0
	0.2633 percent
On July 1, 2004, and each July 1, annually thereafter	2.5 percent

(b) The board may deduct from the annual appropriation made pursuant to this section an amount necessary for the administrative expenses of Section 24415.

(c) It is the intent of the Legislature in enacting this section to establish the supplemental payments pursuant to Section 24415 as vested benefits pursuant to a contractually enforceable promise to make annual contributions from the General Fund to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund in order to provide a continuous annual source of revenue for the purposes of making the supplemental payments under Section 24415.

SEC. 3. Section 22954 of the Education Code, as amended by Section 34 of Chapter 1021 of the Statutes of 2000, is repealed.

SEC. 4. Section 22954.1 of the Education Code, as added by Section 3 of Chapter 6 of the Statutes of 2003, First Extraordinary Session, is repealed.

SEC. 5. Section 22954.1 is added to the Education Code, to read:

22954.1. On July 1, 2004, and each July 1, thereafter to July 1, 2010, inclusive, an amount equal to ~~0.4103~~ 0.3671 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based shall be credited to the Supplemental Benefit Maintenance Account. This rate shall be adjusted by the board to reflect any changes in the rate of interest credited to accumulated reserves pursuant to subdivision (b) of Section 22216.

SEC. 6. Section 22955.1 is added to the Education Code, to read:

22955.1. (a) In addition to the amount appropriated pursuant to Section 22955, and notwithstanding Section 13340 of the Government Code, on July 1, 2004, and each July 1, thereafter, to July 1, 2009, inclusive, a continuous appropriation is hereby made from the General Fund to the Controller for transfer to the Teachers' Retirement Fund. The total amount of each appropriation made pursuant to this section shall be equal to the percentage of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based, in accordance with the following schedule:

<i>Date of Payment</i>	<i>Percentage</i>
On July 1, 2004	0.0998
	—— 0.0858 percent
On July 1, 2005	0.0957
	—— 0.0823 percent
On July 1, 2006	0.0918
	—— 0.0790 percent
On July 1, 2007	0.0880
	—— 0.0757 percent
On July 1, 2008	0.0845
	—— 0.0727 percent
On July 1, 2009	0.0810
	—— 0.0697 percent

(b) (1) In addition to the amount appropriated pursuant to Section 22955, there is hereby appropriated on July 1, 2010, from the General Fund to the Controller, for transfer to the Teachers' Retirement Fund, an amount equal to the percentage of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based in accordance with the following schedule, based on the actual average annual rate of return on the investment of funds in the Teachers' Retirement Fund from July 1, 2003, to June 30, 2010, inclusive, as reported by the board:

If the average annual rate of return is less than	
3.5 percent	1.8499
	—— 1.6732 percent
If the average annual rate of return is at least	
3.5 percent but less than 5 percent	2.0736
	—— 1.8743 percent
If the average annual rate of return is at least 5	
percent but less than 6.5 percent	2.3184
	—— 2.0943 percent
If the average annual rate of return is at least	
6.5 percent but less than 8 percent	2.5859
	—— 2.3347 percent
If the average annual rate of return is at least 8	
percent but less than 9.5 percent	2.8779
	—— 2.5970 percent
If the average annual rate of return is at least	
9.5 percent but less than 11 percent	3.1960
	—— 2.8828 percent
If the average annual rate of return is equal to	
or greater than 11 percent	3.5421
	—— 3.1937 percent

(2) The amount transferred to the Teachers' Retirement Fund on July 1, 2010, pursuant to paragraph (1) shall be based on the estimated average annual rate of return in the investment of funds in the Teachers' Retirement Fund from July 1, 2003, to June 30, 2010, inclusive, projected by the board from actual investment earnings to the Teachers' Retirement Fund through April 30, 2010, inclusive. On or before September 1, 2010, the board shall report

1 to the Director of Finance and the Controller the actual average
2 annual rate of return on the investment of funds in the Teachers'
3 Retirement Fund from July 1, 2003, to June 30, 2010, inclusive.
4 Any additional amount appropriated pursuant to paragraph (1)
5 shall be transferred to the Teachers' Retirement Fund within five
6 calendar days of the actual average annual rate of return reported
7 by the board to the Director of Finance and the Controller. If the
8 actual average annual rate of return on the investment of funds in
9 the Teachers' Retirement Fund from July 1, 2003, to June 30,
10 2010, inclusive, is less than the amount estimated as of July 1,
11 2010, any excess amount transferred to the Teachers' Retirement
12 Fund on July 1, 2010, shall be treated as a credit for the amount
13 appropriated pursuant to Section 22955 for transfer to the
14 Teachers' Retirement Fund during the 2010–11 fiscal year.

15 (c) The Legislature reserves the right to amend this section to
16 increase the contribution rate prior to July 1, 2010, in order to
17 provide an appropriation that is actuarially equivalent to the
18 appropriation made in subdivisions (a) and (b), as determined by
19 the board in an actuarial analysis requested by the board. Any
20 resulting change in the appropriation shall be in lieu of any
21 appropriation made by this section that has not yet been transferred
22 to the Teachers' Retirement Fund.

23 SEC. 7. This act is an urgency statute necessary for the
24 immediate preservation of the public peace, health, or safety
25 within the meaning of Article IV of the Constitution and shall go
26 into immediate effect. The facts constituting the necessity are:

27 In order to address the fiscal crisis facing the state in the
28 2003–04 fiscal year, it is necessary that this act take effect
29 immediately.

